

Helping Homeowners with Financial Hardships: Two Cases

Family A: Standard HAMP Modification

- **In 2006:** Family A took out a 30 year fixed mortgage with a balance of \$250,000 and an interest rate of 9%. Their monthly payment was about \$2000 per month. Family A had monthly income of \$6500 per month at that time.
- **Today:** Family A has reduced income of \$4500 per month because one family member lost a job and had to switch to a lower paying job.
- **With a HAMP modification:** Family A's payment will be set at 31% of monthly income, or about \$1400 per month. *This will reduce their monthly payments by about \$600, and save the family \$36,000 in interest payments over 5 years.*

	Existing Mortgage	Loan Modification
Balance	\$240,000	\$240,000
Remaining Years	26	26
Interest Rate	9%	5.1%
Monthly Payment	\$2000	\$1400
Savings	<i>\$600 per month in reduced payments</i>	

Family B: Unemployment Assistance

- **In 2006:** Family B took out a 30 year fixed mortgage with a balance of \$250,000 and an interest rate of 9%. Their monthly payment was about \$2000 per month. Family B had monthly income of \$6500 per month at that time.
- **Today:** All members of Family B have been unemployed for 4 months. They are collecting unemployment benefits equal to \$2000 per month.
- **With Unemployment Assistance:** For up to 6 months, Family B's payment will be temporarily set at 31% of current monthly income, or lower (about \$620 per month). *This will reduce their monthly payments by nearly \$1,400 per month, and postpone payments of \$8,280 for six months while they look for new jobs.*
- At the end of the 6 months, Family B may become re-employed and resume their regular \$2000 per month payment, plus the capitalized postponed payments. If Family B is re-employed with lower paying jobs, or otherwise have a continuing financial hardship, they will be considered for a permanent HAMP modification excluding any temporary income. If they receive this modification, their payment will be set at 31% of their new lower monthly income, as shown in example above for Family A.

	Existing Mortgage	6 Month Temporary Assistance
Balance	\$240,000	\$240,000
Remaining Years	26	26
Interest Rate	9.0%	9.0%
Monthly Payment	\$2000	\$620
Savings	<i>\$1,380 per month, \$8280 over 6 months</i>	

Helping Homeowners with Negative Equity: Two Cases

Family C: FHA Refinance

- **In 2006:** Family C took out two 30 year fixed mortgages with a combined balance of \$250,000 and an interest rate of 9.0%. Their monthly payment was about \$2,000 per month.
- **Today:** Home prices in the market have dropped nearly 30% and Family C's home is worth \$180,000.
- **With a FHA Refinance:** The lender will write down Family C's loan balance by roughly \$33,000 to \$207,000 and their monthly payment will fall to about \$1300 per month. ***This will reduce their principal balance by about \$33,000 and reduce their monthly payments by about \$700 per month.***

	Existing Mortgage	FHA Refinance
Balance	\$240,000	\$207,000
First Lien	\$208,500	\$175,500
Second Lien	\$31,500	\$31,500
Remaining Years	26	30
Interest Rate	9.0%	6.5%
Monthly Payment	\$2,000	\$1300
Savings	<i>\$33,000 principal reduction; \$700 in savings per month</i>	

Family D: HAMP Modification with Additional Principal Writedown Flexibility

- **In 2006:** Family D took out a 30 year fixed mortgage with a balance of \$250,000 and an interest rate of 9.0%. Family D's income was \$6,500. Their monthly payment was about \$2,000 per month.
- **Today:** Home prices in the market have dropped nearly 30% and Family D's home is worth \$180,000. Family D also has a financial hardship due to illness in the family that reduced monthly income to \$4,000 per month.
- **With a HAMP modification:** Family D's payment will be set at 31% of monthly income, or about \$1240 per month. Lender gives Family D a principal reduction over [3] years as long as they remain current on payments – of about \$33,000 in total. ***This will reduce their monthly payments by \$760. After 3 years, Family D will have received a principal reduction of \$33,000.***

	Existing Mortgage	Loan Modification	Loan Modification After [3] Years
Balance	\$240,000	\$240,000	\$207,000
Remaining Years	26	26	23
Interest Rate	9.0%	5.4%	5.4%
Monthly Payment	\$2000	\$1240	\$1240
Savings	<i>\$33,000 in principal reduction; \$760 per month payment reduction</i>		

Helping Homeowners Move to More Affordable Housing: Short Sales

Family E: HAMP Short Sale

- **In 2006:** Family E took out a 30 year fixed mortgage with a balance of \$300,000 and an interest rate of 8.6%. Family E's income was \$6500. Their monthly payment was about \$2330.
- **Today:** Home prices have dropped and Family E's home is worth \$200,000. Family E also faced financial hardship due to unemployment and has missed several mortgage payments. Family E has now found a new job in a different state, and would like to move quickly to more affordable housing in the state where their new job is located.
- **With a HAMP Short Sale:** Family E sells the home for \$190,000 and the lender gets the \$190,000 in proceeds. Family E no longer owes any money on the home. Family E will be paid \$3000 to help them relocate to new housing. *This will allow the borrower to move, to no longer owe payments on a home they cannot afford and do not want to live in, and will provide \$3000 to help with relocation.*

	Existing Mortgage	Short Sale
Balance Owed	\$289,843	\$0
Remaining Years	26	0
Monthly Payment	\$2330	\$0
Borrower Relocation Payment	\$0	\$3000
Borrower Benefit	<i>Borrower no longer owes mortgage payments; Gets \$3000 for help in relocating</i>	